

**REPORT OF THE AUDIT OF THE  
LARUE COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2001**



**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
[www.kyauditor.net](http://www.kyauditor.net)**

**144 CAPITOL ANNEX  
FRANKFORT, KY 40601  
TELEPHONE (502) 564-5841  
FACSIMILE (502) 564-2912**





EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary,  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Tommy Turner, County Judge/Executive  
Honorable Merle L. Edlin, LaRue County Sheriff  
Members of the LaRue County Fiscal Court

The enclosed report prepared by Potter & Company, LLP, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the Sheriff of LaRue County, Kentucky, for the year ended December 31, 2001.

We engaged Potter & Company, LLP, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Potter & Company, LLP, evaluated the LaRue County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett".

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Enclosure





**LARUE COUNTY, KENTUCKY  
MERLE L. EDLIN, COUNTY SHERIFF**

**FINANCIAL STATEMENT AND  
INDEPENDENT AUDITOR'S REPORT**

Calendar Year 2001



## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE LARUE COUNTY SHERIFF**

#### **Calendar Year 2001**

Potter & Company, LLP has completed the Larue County Sheriff's audit for calendar year 2001. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

#### **Financial Condition:**

Excess fees decreased by \$1,126 from the prior calendar year, resulting in excess fees of \$28,216 as of December 31, 2001. Revenues increased by \$18,797 from the prior year and disbursements increased by \$19,923.

#### **Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities or bonds.





**LARUE COUNTY, KENTUCKY**  
**MERLE L. EDLIN, COUNTY SHERIFF**

C O N T E N T S

	<u>Page</u>
Independent Auditor's Report	1
Statement of Receipts, Disbursements, and Excess Fees	2 - 3
Notes to Financial Statement	4 - 5
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of the Financial Statement Performed in Accordance with <i>Government Auditing Standards</i>	6



## INDEPENDENT AUDITOR'S REPORT

To the People of Kentucky

Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary,  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Tommy Turner, County Judge/Executive  
Honorable Merle L. Edlin, LaRue County Sheriff  
Members of the LaRue County Fiscal Court

We have audited the accompanying statement of receipts, disbursements, and excess fees of the LaRue County Sheriff of LaRue County, Kentucky, for the year ended December 31, 2001. This financial statement is the responsibility of the LaRue County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Guide for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the LaRue County Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the LaRue County Sheriff for the year ended December 31, 2001, in conformity with the modified cash basis of accounting.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2002, on our consideration of the LaRue County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Potter & Company, LLP*

POTTER & COMPANY, LLP  
June 6, 2002



**LARUE COUNTY, KENTUCKY**  
**MERLE L. EDLIN, COUNTY SHERIFF**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS,**  
**AND EXCESS FEES**  
**Calendar Year 2001**

**Receipts**

State Grants		\$	2,716
State Fees for Services:			
Finance and Administration Cabinet	\$	12,049	
Cabinet for Human Resources		70	
Fugitive Claims		<u>6,647</u>	18,766
Circuit Court Clerk:			
Sheriff Security Service		7,242	
Fines and Fees Collected		<u>5,707</u>	12,949
Fiscal Court			29,357
County Clerk - Delinquent Taxes			536
Commission on Taxes Collected		126,701	
11% Penalty		16,268	
Bank Franchise Received from State		<u>1,873</u>	144,842
Fees Collected for Services:			
Auto Inspections		4,520	
Accident and Police Reports		404	
Serving Papers		12,390	
Carrying Concealed Deadly Weapon Permits		<u>4,330</u>	21,644
Other:			
Transporting		3,299	
Tax Settlement		16	
Reimbursements		11,425	
Miscellaneous		<u>480</u>	15,220
Interest			334
Borrowed Money:			
State Advancement			<u>59,292</u>
Gross Receipts			\$ <u>305,656</u>

The accompanying notes are an integral part of the financial statement.

**LARUE COUNTY, KENTUCKY**  
**MERLE L. EDLIN, COUNTY SHERIFF**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS,**  
**AND EXCESS FEES (CONTINUED)**  
**Calendar Year 2001**

**Disbursements**

Operating Disbursements and Capital Outlay:

Personnel Services -

Deputies' Salaries \$ 97,201

Other Salaries 17,098

Contracted Services -

Advertising 230

Vehicle Maintenance and Repairs 4,874

Radio Maintenance and Repairs 169

Materials and Supplies -

Office Materials and Supplies 1,557

Uniforms 1,019

Equipment 3,144

Range and Ammunition 184

Other Charges -

Carrying Concealed Deadly Weapon Permits 2,865

Training 1,420

Out-of-State Fugitives 3,747

Transporting Prisoners 1,443

K-9 Expenses 25

Dues 95

Photography 137

Vehicle Lease/Rental Equipment 10,148

Bond 810

Miscellaneous 676

Capital Outlay -

Vehicle 10,000 \$ 156,842

Debt Service:

State Advancement 59,292

Total Disbursements \$ 216,134

Net Receipts 89,522

Statutory Maximum (61,306)

Excess Fees Due County for Calendar Year 2001 28,216

Payment to County Treasurer (28,216)

Balance Due At Completion of Audit \$ 0

The accompanying notes are an integral part of the financial statement.

**LARUE COUNTY, KENTUCKY**  
**MERLE L. EDLIN, COUNTY SHERIFF**  
**NOTES TO FINANCIAL STATEMENT**  
December 31, 2001

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Fund Accounting:**

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

**Basis of Accounting:**

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2001.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

**Cash and Investments:**

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**NOTE 2 - EMPLOYEE RETIREMENT SYSTEM**

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous and hazardous covered employees are required to contribute 5.00 and 8.00 percent, respectively, of their salary to the plan. The county's contribution rate for nonhazardous employees for the first and last six months of the calendar year is 7.17 and 6.41 percent, respectively. The county's contribution rate for hazardous employees for the first and last six months of the calendar year is 16.78 and 16.28 percent, respectively.

**LARUE COUNTY, KENTUCKY**  
**MERLE L. EDLIN, COUNTY SHERIFF**  
**NOTES TO FINANCIAL STATEMENT**  
December 31, 2001

NOTE 2 - EMPLOYEE RETIREMENT SYSTEM (CONTINUED)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

NOTE 3 - DEPOSITS

The Sheriff maintains deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements have been met, and as of December 31, 2001, the Sheriff's deposits are fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which names the Sheriff as beneficiary/obligee on the bond.

NOTE 4 - LEASE

During 1999, the office of the County Sheriff entered into a 60-month lease agreement with KACoLT for the lease of vehicles. The lease shall be completed on November 20, 2004. Per KACoLT requirements, the lease is officially with the LaRue County Fiscal Court, but the Office of the Sheriff makes the payments. The agreement requires a monthly payment of approximately \$800 per month. The Sheriff is obligated under this agreement for an amount totaling \$26,261 as of December 31, 2001.

NOTE 5 - DRUG SEIZURE FUND

During 2000, the Sheriff received funds totaling \$10,019, which were deposited into the LaRue County Sheriff's Drug Seizure Account. Additional funds of \$2,000 were received and deposited during 2001. Interest of \$155 was earned on the account during 2001. Expenditures totaling \$2,430 were made during the year. As of December 31, 2001 the account's remaining balance is \$9,744.



REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the People of Kentucky  
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We have audited the statement of receipts, disbursements, and excess fees of the LaRue County Sheriff of LaRue County, Kentucky, for the year ended December 31, 2001, and have issued our report thereon dated June 6, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the LaRue County Sheriff's financial statement for the year ended December 31, 2001, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the LaRue County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and the Auditor of Public Accounts and is not intended to be and should not be used by anyone other than the specified parties.



POTTER & COMPANY, LLP  
June 6, 2002

